

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05  
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R 280807Z FEB 77

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TO SECSTATE WASHDC 2360  
INFO AMEMBASSY TOKYO  
AMEMBASSY TAIPEI  
AMCONSUL HONG KONG

UNCLAS SEOUL 1643

E.O. 11652: N/A

TAGS: EGEN, EFIN, KS

SUBJECT: KOREAN 1977 OVERALL RESOURCES BUDGET

REF: (A) SEOUL 172 (NOTAL), (B) SEOUL (NOTAL,  
(C)LSEOUL 1115

SUMMARY: THE 1977 OVERALL RESOURCES BUDGET - THE FORMAL  
STATEMENT OF KOREA'S ECONOMIC GOALS FOR THE YEAR - AS APPROVED  
BY THE ECONOMIC MINISTERS, CONTAINS NO SURPRISES AND LITTLE  
CHANGE TO THE FIGURES PREVIOUSLY REPORTED AT THE TIME OF THE  
PRESIDENTIAL BRIEFINGS. END SUMMARY.

1. ON FEBRUARY 24 THE ECONOMIC MINISTERS GAVE THEIR BLESSING  
TO THE 1977 OVERALL RESOURCES BUDGET (ORB). AS WE PREVIOUSLY  
REPORTED (REFTELS), SUBSEQUENT TO THE PRESIDENTIAL BRIEFINGS,  
KOREA INTENDS TO ACHIEVE A REAL GROWTH OF 10 PERCENT BY EXPANDING  
EXPORTS TO \$10 BILLION AND AT THE SAME TIME KEEP INFLATION  
BELOW 10 PERCENT FOR BOTH WHOLESALE AND CONSUMER PRICES (13  
PERCENT ON A GNP DEFLATOR BASIS).

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2. WHILE THE BOP CURRENT ACCOUNT IS EXPECTED TO SHOW A DEFICIT  
OF \$484 MILLION, OVERALL IT IS ANTICIPATED THAT FOREIGN  
RESERVES WILL RISE BY \$800 MILLION TO \$3.74 BILLION. EXPORTS  
ARE PROJECTED AT \$10 BILLION (UP 28.2 PERCENT) AND IMPORTS  
\$10,283 BILLION (26.3 PERCENT GAIN). (ON THE BASIS OF THE  
FIGURES FOR JANUARY AND FEBRUARY, DURING WHICH EXPORTS ARE UP  
BY NEARLY 60 PERCENT OVER THE SAME MONTHS LAST YEAR, THERE

COULD BE A CLOSING OF THE PREDICTED TRADE DEFICIT.)

3. DOMESTICALLY, THE INVESTMENT RATE IS SEEN TO RISE TO 25.3 PERCENT (OF GNP) WITH DOMESTIC SAVINGS SUPPLYING 91 PERCENT OF THE REQUIREMENTS. MONEY (M1) GROWTH WILL BE HELD TO 23 TO 25 PERCENT AND DOMESTIC CREDIT TO ABOUT 24 PERCENT. (IF, AS LAST YEAR, NET FOREIGN ASSETS GO BEYOND THE ANTICIPATED LEVELS, THE ROKG WILL PROBABLY, AS LAST YEAR, ALLOW SOME FURTHER EXPANSION OF M1.)

4. THE ORB ADDS A FEW DETAILS NOT PREVIOUSLY AVAILABLE, E.G., IT IS EXPECTED THAT THE SHARE OF GNP SUPPLIED BY AGRICULTURE, FORESTRY AND FISHING WILL DECLINE TO 23.7 PERCENT (1976 - 24.7 PERCENT) WHILE THAT FOR MINING AND MANUFACTURING RISES TO 32.4 (FROM 31.1) PERCENT. SOCIAL OVERHEAD CAPITAL IS SEEN DECLINING TO 11.5 PERCENT FROM 11.8 PERCENT. WITH THE EXCEPTION OF MINING, ALL SECTORS ARE EXPECTED TO SHOW LOWER GROWTH RATES THAN IN 1976.

5. IT IS FORECAST THAT INDUSTRIAL GOODS WILL BE 91 PERCENT OF EXPORTS (1976 - 89.7). HEAVY AND CHEMICAL PRODUCTS, PARTICULARLY MACHINERY AND ELECTRONICS, ARE SEEN AS THE LARGEST GAINERS, WHEREAS TEXTILES ARE SHOWN AS DECLINING FROM 33.8 PERCENT IN 1976 TO 32.5 PERCENT OF TOTAL EXPORTS. AMONG IMPORTS, THE SHARE TAKEN BY CRUDE OIL AND GRAINS IS EXPECTED TO DECLINE, WHILE CAPITAL GOODS AND RAW MATERIALS FOR EXPORTS WILL INCREASE. IMPORTS FOR DOMESTIC CONSUMPTION ARE SEEN AS REMAINING THE SAME (15 PERCENT). AGGREGATING CRUDE OIL, GRAINS AND CONSUMPTION GOODS SHOWS THAT THESE IMPORTS CONSTITUTE UNCLASSIFIED

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17 PERCENT OF GNP CONSUMPTION.

6. IN ASSESSING THE WORLD ECONOMIC CONDITION, THE ORB POINTS TO FOUR POTENTIAL PROBLEMS FOR KOREA IN ITS ECONOMIC RELATIONS WITH OTHER NATIONS: (A) UNCERTAIN BUSINESS CLIMATE, (B) INFLATION, (3) INCREASING PROTECTIONISM, AND (D) ECONOMIC NATIONALISM.

7. COMMENT: AS PREVIOUSLY SAID, WE DO NOT FORESEE SUBSTANTIAL DIFFICULTY FOR KOREA IN ACHIEVING THE GOALS IT HAS SET FOR ITSELF.  
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## Message Attributes

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